

Idaho Legislative Audits
P.O. Box 83720
Boise, ID 83720-0054
208-334-2475



Disability Determinations Service

Management Report on Financial Procedures

Issued: March 15, 2004
Fiscal Years: 2001, 2002, and 2003



EXECUTIVE SUMMARY LEGISLATIVE AUDITS

DISABILITY DETERMINATIONS SERVICE

PURPOSE AND SCOPE. We have completed certain financial audit procedures on the Disability Determinations Service's (DDS) financial activities that occurred during the fiscal years ended June 30, 2001, 2002, and 2003. These procedures, together with procedures performed at other State agencies, allow us to express our opinion on the statewide basic financial statements prepared by the State Controller's Office. Since a major federal program was present, appropriate procedures and required tests were made in order to issue the federally required Single Audit.

CONCLUSION. One finding and recommendation is included in this report, that will, if implemented, improve efficiency, effectiveness, compliance, and controls of DDS. Although we discussed other issues for improvement, we conclude that the financial operations of DDS meet accepted standards and that DDS substantially complies with laws, regulations, rules, grants, and contracts for which we tested compliance.

During the audit period, DDS was a separate unit within the Executive Office of the Governor. Executive Order 2003-03, dated June 2, 2003, transferred the functions of DDS to the Idaho Department of Labor. All future audits of the Department of Labor will include the new Disabilities Determinations Service Division.

FINDINGS AND RECOMMENDATIONS. The one finding and recommendation is summarized below.

Finding #1. DDS's inventory has been deleted from the statewide fixed asset system. The Governor's Executive Order 2003-02 directed that DDS merge with the Idaho Department of Labor, effective July 1, 2003. When the accounting records were merged, DDS's agency number was deleted from the State accounting system (STARS). Deleting the agency number from STARS also caused the deletion of approximately \$960,000 worth of DDS assets from the State fixed asset system (FAS). DDS does maintain a manual list of these assets; however, the records have not been reestablished in FAS by the Department of Labor.

The State utilizes FAS to provide control of and accountability for inventoriable assets, to monitor the physical condition of assets, and to gather information for the preparation of the *State Comprehensive Annual Financial Report (CAFR)*.

We recommend that the Department of Labor conduct an inventory of DDS property as required by Idaho code and ensure that all DDS assets are properly entered into FAS.

PRIOR FINDINGS AND RECOMMENDATIONS. There were no findings and recommendations in the prior

AGENCY RESPONSE. The Department has reviewed the report and is in general agreement with its contents.

FINANCIAL SUMMARY. The procedures completed and described above help us express our opinion on the fairness of presentation of the *CAFR*. Although no opinion is given on the financial data presented in this report, one is given on all State funds in the *CAFR*, including the financial data presented here.

DDS funds are received from two sources:

1. The Social Security Administration provides more than 99% of total operating funds through a reimbursement grant for services provided. DDS reviews applications of disabled workers to determine their eligibility to receive benefits under the Social Security Act.
2. The Idaho Department of Health and Welfare contracts with DDS to make eligibility determinations for applications under Medicaid Title XIX. These contract revenues reimburse DDS for the cost of processing the applications. These funds flow through the Special Revenue Fund.

Disability Determinations Service Disability Determinations Service – Financial Summary

	Fund 0348 – Federal Fund			Fund 0349 – Special Revenue Fund		
	FY 2001	FY 2002	FY 2003	FY 2001	FY 2002	FY 2003
Beginning Cash Balance	\$0.00	\$0.00	\$0.00	\$0.00	\$392.65	\$21,879.34
Other Revenue	0.00	0.00	0.00	20,187.79	30,085.04	69,668.04
Plus Federal Cash Draws	<u>5,079,996.84</u>	<u>5,989,323.56</u>	<u>6,210,177.69</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total Funds Available	<u>\$5,079,996.84</u>	<u>\$5,989,323.56</u>	<u>\$6,210,177.69</u>	<u>\$20,187.79</u>	<u>\$30,477.69</u>	<u>\$91,547.38</u>
Less Disbursements:						
Personnel Costs	\$2,144,259.15	\$2,804,490.55	\$2,691,325.29	\$0.00	\$0.00	\$0.00
Operating Costs	1,090,208.87	1,355,126.82	1,561,059.31	2,831.65	5,509.99	46,223.49
Capital Costs	96,129.47	49,869.22	9,023.97	16,928.49	1,546.09	0.00
Trustee Benefit Costs						
Cost of Medical Evidence (1)	1,749,399.35	1,779,836.97	1,948,769.12	35.00	1,542.27	2,793.94
SSA Reimbursement	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>32,981.03</u>
Total Disbursements	<u>\$5,079,996.84</u>	<u>\$5,989,323.56</u>	<u>\$6,210,177.69</u>	<u>\$19,795.14</u>	<u>\$8,598.35</u>	<u>\$81,998.46</u>
Ending Cash Balance	<u>\$0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$392.65</u>	<u>\$21,879.34</u>	<u>\$9,548.92</u>

(1) DDS makes determinations about an applicant's level of disability by requesting medical records from doctors who have recently seen the applicant. These records normally cost up to \$25. If additional medical evidence is needed, the Disability Determinations Service pays the cost to send the applicant to a local doctor for consultative examinations, which can cost from \$15 to \$450 per examination, depending on the procedures performed.

OTHER ISSUES. In addition to the finding and recommendation, we discussed other, less important issues which, if changed, would improve internal control, ensure compliance, or improve efficiency.

This report is intended solely for the information and use of DDS, the Idaho Department of Labor, and the Idaho Legislature and is not intended to be, and should not be, used by anyone other than these specified parties.

We appreciate the cooperation and assistance given us by the administrator, Roy Valdez, and his staff.

QUESTIONS CONCERNING THIS DOCUMENT SHOULD BE DIRECTED TO:

Ray Ineck, CGFM, Supervisor, Legislative Audits

Eugene Sparks, CPA, CGFM, Managing Auditor

Report SA19103/IC19103

For a copy of the entire audit report , contact Legislative Services Office, Audit Division, State Capitol Building, 700 W. Jefferson Street, P.O. Box 83720, Boise, Idaho 83720-0054, or call 208-334-3540.